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NATIONAL RESTAURANT ASSOCIATION

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analysis and interpretation

- the industry
- the market
- consumer behavior and attitudes

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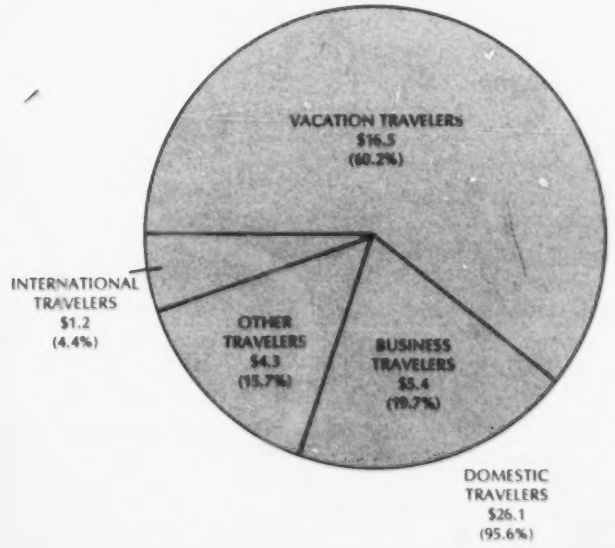
TRAVEL AND TOURISM IMPACT FOOD SERVICE INDUSTRY

Highlights

- International and domestic travelers spent an estimated $27.3 billion on food while traveling in the United States in 1977.
- Upper income families account for nearly half of the total domestic travel food expenditures, with families earning between $20,000 and $24,999 accounting for 14.8 percent of the travel food dollar and families with incomes over $25,000 accounting for 34.4 percent.
- One and two person households account for 37.8 percent of travel expenditures for food while households with 5 or more persons account for only 22.5 percent.
- While automobile travelers account for more of the total travel food expenditures than do airline travelers, airline travelers spend twice as much for food on a per capita trip basis.
- Vacation travelers spent considerably more on food in 1977 than did business travelers, $16.5 billion versus $5.4 billion.
- Thirty-eight percent of the travel food expenditures occurred during the summer months of July, August and September.

TOTAL TRAVEL FOOD EXPENDITURES, 1977: $27.3 Billion

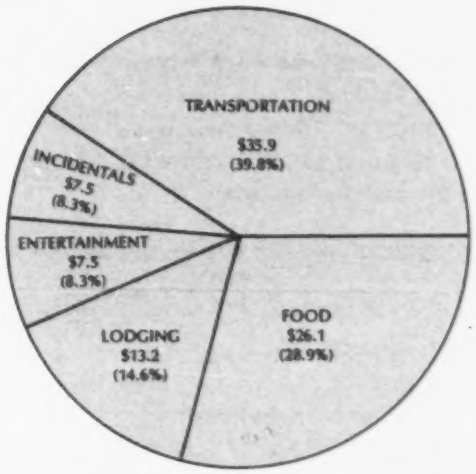


In 1977 domestic and international travelers spent an estimated $27.3 billion on food while traveling in the United States, representing a 28 percent share of total travel expenditures. Domestic travelers account for a substantially greater proportion of the travel food dollar than do international visitors as is shown in the chart on this page, although the international market is expanding rapidly. The largest contributors to the domestic travel food dollar are vacationers followed by business travelers.

Information in this report on domestic travel in the United States is form U.S. Travel Data Center's (USTDC) new study, *1977 National Travel Expenditure Study*. Data from this study on demographic characteristics, mode of transportation and season of year traveled for domestic travelers have been incorporated into our report. In addition, highlights from NRA's own consumer research as well as information from government sources have been included in this article to pinpoint the impact domestic and international travelers have on the foodservice industry.

Readers should note that expenditures for food made by both domestic and foreign travelers include food consumed at commercial eating establishments as well as food bought in grocery stores for consumption in private vacation residences and campers. NRA research studies, which are highlighted later in this report, indicate that the greatest share of this travel food dollar

DOMESTIC TRAVEL EXPENDITURES, 1979, $90.2 Billion



is spent in commercial eating establishments. For example, over 90 percent of business travelers eat their meals in restaurants and 70 percent of the auto vacationers eat their evening meals at commercial eating establishments. Readers should also be aware that a domestic trip is defined as a round trip of 200 miles or more.

Upscale Households Spend More When Traveling

The U.S. Travel Data Center report shows that $90.2 billion was spent in 1977 for domestic travel. Transportation expenses claim the largest proportion of these expenditures, accounting for 39.8 percent. Airline travelers, who spent $21 billion on transportation alone in 1977, account for the largest proportion of transportation expenditures and help to explain why transportation claims such a large share of the travel dollar. Food expenditures rank second and account for 28.9 percent of the travel dollar, while about 15 percent of domestic travel expenditures are for lodging and entertainment and incidentals claim 8.3 percent each.

Information from both the USTDC and the BLS shows that higher income families and smaller households tend to spend more on food when traveling in the United States. Data from the Bureau of the Census indicate that household income will continue to rise, with the current median income at over $16,000. In addition, one and two person households are a growing force, now accounting for more than half of all households. (See August 1979 *Foodservice Trends*.) Based on the travel expenditure data and demographic projections, travel expenditures for food should continue to rise.

Travel Food Expenditures by Income

Income Range	% Total Travel Dollar Spent On Food	% Share of Total Travel Food Dollar	Per-Person-Trip Travel Food Expenditures
Under $5,000	22.9%	5.3%	$36.72
$ 5,000 to $ 9,999	22.4%	11.2%	$45.05
$10,000 to $14,999	28.1%	16.5%	$39.54
$15,000 to $19,999	30.8%	17.8%	$47.99
$20,000 to $24,999	30.1%	14.8%	$46.36
$25,000 to $34,999	33.6%	20.8%	$66.40
$35,000 and over	30.2%	13.6%	$65.53

SOURCE: *1977 National Travel Expenditure Study*, U.S. Travel Data Center, July 1979.

Higher income households spend a larger proportion of their travel dollar on food than do lower income households and, as a result, account for a relatively large portion of the travel food dollar. This information together with per person trip expenditures for food is shown in the accompanying table. Families with incomes of $15,000 or more spent more than 30 percent of their travel expenditures on food, compared to 28.9 percent for all households and only 22.6 percent for households with incomes under $10,000.

In addition, the table shows that these upper income households account for a large proportion of the travel food dollar. This becomes even more significant when compared to the family income distribution in the total U.S. population. For example, families earning between $20,000 and $24,999 make up only 11.5 percent of the families in the U.S. but account for 14.8 percent of travel food expenditures. Additionally, the 18.2 percent of all U.S. families with incomes above $25,000 account for a significant 34.4 percent of the travel expenditures for food.

On a per person-trip basis, families whose incomes are more than $25,000 spent more than $60 per person on food compared to overall per capita trip food expenditures of $40.47 in 1977.

Household size also is an important factor in determining the proportion of the travel dollar spent on food. While the accompanying chart shows that one and two person households spend less for food, on a percentage basis, than the average, a look at per capita trip expenditures tells a different story. Overall, the averge amount spent on food during a trip on a per person basis was $49.47, and this compares to $49.94 for single person households and $55.11 for two person households. On the other hand, households with five or more persons spent a slightly lower $47.64 per person on a single trip. Another interesting fact concerning these smaller households is that one and two person households account for 37.8 percent of the travel food expenditures, while households with more than 5 persons account for 22.5 percent.

Information from the Bureau of Labor Statistics' (BLS) *1972-73 Consumer Expenditure Survey* further reinforces the view that higher income households and smaller households spend more on food when on vacation. Readers, however, should be aware that the BLS information pertains to spending while on vacation only, while the U.S. Travel Data Center information is for expenditures for both personal and business travel. The BLS survey showed that on an annual basis, families spent $57.32 on food when on vacation in 1972, while families earning more than $15,000 a year spent a substantially greater amount on food. As for household size, single person households spent $27.33 per person annually on food while on vacation and two person households spent $31.85 per person. On the other hand, families with five or more persons spent considerably less on a per capita basis.

Travel Food Expenditures by Household Size

	% Total Travel Dollar Spent On Food	% Share of Total Travel Food Dollar	Per-Person-Trip Travel Food Expenditures
1 Person	22.1%	8.8%	$49.94
2 Persons	28.7%	29.0%	$55.11
3 Persons	29.6%	16.7%	$46.97
4 Persons	27.4%	23.0%	$46.84
5 or more Persons	35.0%	22.5%	$47.64

SOURCE: *1977 National Travel Expenditure Study*, U.S. Travel Data Center, July 1979

Automobile Travelers Account for Most Travel Food Expenditures

The USTDC study shows that 72.3 percent of the travel expenditures for food are made by auto travelers, while only 20.0 percent are from those who travel by airplane. In comparison, 55.6 percent of total travel expenditures are derived from automobile travelers and 35.3 percent from airplane travelers. In addition, auto travelers spent a larger amount of their 1977 travel dollar on food than on transportation, $18.9 billion versus $10.7 billion. Because of the high cost of airline travel, those using this mode of travel spent nearly four times as much on transportation as on food in 1977, $21.0 billion compared to $5.2 billion. However, upper income families and smaller households are more likely to fly to their destination and will also spend more on food than lower income families and larger households who fly. The chart on this page also shows that airline travelers are very important to our industry and contribute to foodservice sales. On a per capita trip basis, airline travelers spend twice as much as auto travelers for food, $81.09 versus $43.72.

As was previously mentioned, the amount spent on food while traveling includes both food purchased in a commercial eating establishment and that purchased at grocery stores. NRA in its consumer attitude survey, "Restaurant Habits of the Long Distance Automobile Vacationer" determined that most travelers eat their meals at commercial eating establishments. This is particularly true for the three major meals each day, which is shown in the accompanying table.

Travel Food Expenditures: Auto Traveler vs. Airline Traveler

	Auto Traveler	Airline Traveler
Amount Spent on Food (bil's of dollars)	$18.9	$5.2
Percent of travel dollar spent on food	37.6%	16.4%
Per capita trip expenditures for food	$43.72	$81.09

SOURCE: *1977 National Travel Expenditures* Study, U.S. Travel Data Center, July 1979.

Percentage of Auto Vacationers Who Stop for Various Meals

	At Commercial Eating Establishments	By Purchasing Food in a Grocery Store	Do Not Eat
Breakfast	55.5%	27.5%	17.0%
Morning Snack	9.1%	12.2%	78.7%
Lunch	68.2%	6.0%	25.8%
Afternoon Snack	19.5%	16.5%	64.0%
Supper	71.7%	20.8%	7.5%
Evening Snack	8.0%	19.4%	72.6%

In addition, NRA's survey on "Restaurant Habits of the Business Traveler" showed that nearly all business travelers patronize commercial eating establishments, with eight out of ten preferring an atmosphere/specialty restaurant.

Types of Eating Establishments Patronized by Business Travelers

Type of Establishment	% of Business Travelers Patronizing
Atmosphere/Specialty	79.1%
Coffee Shop	8.5%
Family Type	7.1%
Cafeteria	1.4%
Take-Out	1.1%
Other	1.4%
Did not eat at a restaurant	1.4%

The U.S. Travel Data Center survey indicates that persons taking a vacation trip spent $16.5 billion on food in 1977 and those traveling for business or at a convention spent $5.4 billion. (Note: We define vacation travelers as those who are visiting friends and relatives and those who are sightseeing or visiting recreational areas.) Thus, the foodservice industry benefits from both vacation and business travelers.

More Travel Food Dollars Spent in Third Quarter

A look at when people travel along with how much they spend, shows that 38.2 percent of the travel food dollar is spent during the summer months of July, August and September. On the other hand, travel in the fourth quarter (October, November, December) accounts for only 17.8 percent of total travel food expenditures. An analysis of eating and drinking place sales by quarter shows that sales in the third quarter (July, August, September) account for 27 percent of total sales while those in the fourth quarter account for 25 percent. Thus, travelers help to boost eating and drinking place sales during the summer months.

Summer vacation travelers are particularly important to the foodservice industry. These travelers spent $7.0 billion on food in the third quarter of 1977, compared to only $2.9 billion in the fourth quarter. Business and convention travelers, on the other hand, spent only slightly more on food in 1977 in the third quarter than in the fourth, $1.5 billion versus $1.1 billion, as is shown in the accompanying table.

Quarterly Travel Food Expenditures Vacation Traveler Versus Business Traveler
(In billions of dollars)

Quarter	Vacation Traveler	Business Traveler	All Other	Total
First	$ 3.0	$1.4	$0.9	$ 5.3
Second	3.5	1.4	1.2	6.1
Third	7.1	1.5	1.4	10.0
Fourth	2.9	1.1	0.7	4.7
Total	$16.5	$5.4	$4.2	$26.1

SOURCE: *1977 National Travel Expenditure Study*, U.S. Travel Date Center, July 1979.

International Travelers Spend an Estimated $1.8 Billion on Food

As was stated in the beginning of this article, international visitors to the United States spent an estimated $1.2 billion on food while traveling in the U.S. during 1977. In 1979 the U.S. Travel Service, an agency of the U.S. Department of Commerce, estimates that 21 million foreigners will visit the United States and spend a total of $10.1 billion. Of this $10.1 billion, $8.7 billion will be spent on lodging, food, entertainment and transportation in the United States and $1.4 billion will be spent on transportation to the U.S. The accompanying table shows where these visitors come from, how much they spend and the proportion of their travel dollar they spend on food and lodging. Based on this information plus the proportion of the domestic travel dollar spent on food and lodging, NRA estimates that international travelers to the U.S. in 1979 will spend $1.8 billion on food, up 50 percent from 1977's $1.2 billion.

Other information from the U.S. Travel Service shows that the majority of the foreign visitors perceive the restaurants and entertainment in this country as being very enjoyable and as an important factor in their trip. Therefore, the foodservice industry is and should continue to be a prime beneficiary of the increased numbers of foreign travelers to this country.

International Travelers to the United States: 1979

	No. of Visitors	Total Expenditures*	% for Food & Lodging
Canada	12,000,000	$2,500	29%
Mexico	2,570,000	1,950	29%
Europe	2,850,000	1,720	34%
South America	820,000	700	29%
Japan	1,000,000	650	29%
Other	3,760,000	1,210	32%
Total	21,000,000	$8,730	—

*In millions of dollars and excludes expenditures for transportation to the U.S.

SOURCE: U.S. Travel Service, Department of Commerce.

NRA/GALLUP RESEARCH REPORTS ON VALUE PERCEPTION AND ESSENTIALITY OF EATING OUT

NRA's quarterly Gallup survey question reveals that consumers' overall perception of the value of meals eaten away from home compared to other goods and services has declined only slightly from June 1978 to June 1979, while incidence of eating away from home dropped as well. Overall value perception, as measured by the proportion of respondents reporting their restaurant meal was an excellent or good value, declined by 2 percentage points from June 1978 to June 1979 and incidence of eating out was off by a similar amount.

It is notable that value perception was off somewhat more for families with incomes under $15,000 than for higher income families. Families with incomes under $15,000 have been severely affected by rapidly rising prices and have changed their eating behavior most in recent months. (In an effort to pinpoint those groups of consumers who have been responsible for declines in customer traffic, an analysis of recent changes in eating out patterns emphasizing income and other contributing demographic factors will appear in the CREST Report supplement to the November 1979 issue of *Foodservice Trends*.)

NRA's quarterly survey question which has been included in the Gallup Monthly Monitor of Eating Away from Home for the past year asks: "Thinking about the price of this meal and comparing it to the prices you pay for many products and services you buy, would you say this meal represented an excellent, good, only fair or poor value for your money?" The continued percentage of excellent and good ratings versus fair and poor ratings is used as a rough measure of consumer perception of the value of his meal away from home.

The most recent survey results for June 1979 show that consumers' favorable perception of the value of restaurant meals was down 2 percentage points compared to their perception in June 1978. Approximately 57 percent of the respondents in June 1979 reported that their most recent meal consumed at a restaurant was either an excellent or good value compared to other goods and services purchased while 41 percent rated the meal away from home as only a fair or poor value. In the June 1978 survey 59 percent reported the meal away from home was an excellent or good value and 40 percent said it was only a fair or poor value.

Since we are now collecting a second consecutive year of information on value perception, we will soon be able to determine whether or not changes observed in the past year, including the 4 percentage point decline between March and June 1979 in those reporting a good or excellent value perception, are the result of a seasonal pattern.

Value of Meals Versus Other Products and Services

	Percent of Respondents				
	June '78	Sept. '78	Dec. '78	March '79	June '79
Excellent Value	16%	16%	20%	18%	16%
Good Value	43	47	38	43	41
Only Fair Value	32	26	28	29	29
Poor Value	8	9	11	7	12
Don't Know	1	2	3	3	2
Total	100	100	100	100	100

Consumers Find It More Essential To Eat Out

Despite the fact that there has been a small decline in value perception for restaurant meals over the past year, consumers are finding it more essential than ever to eat away from home. NRA's annual Gallup survey question designed to probe the essentiality of eating out versus eating at home reveals that consumers find it less convenient to prepare meals at home.

In response to the question "How convenient would it have been for you to have prepared this meal at home?," the proportion of consumers reporting that it would be "not at all convenient" rose 6 percentage points from 32 percent in June 1978 to 38 percent in June 1979. A 2 percentage point decline in the proportion of consumers indicating it is "not very convenient," however, resulted in an overall 4 point increase in those who find it less convenient to cook at home. In contrast the proportion of respondents indicating that it would be "somewhat convenient" or "very convenient" to prepare the meal at home declined 7 percentage points.

Convenience of Preparing Meal at Home Instead of Dining Out

Convenience of Preparing Meal at Home	June 1978	June 1979	Change in % Points
Not At All Convenient	32%	38%	+6
Not Very Convenient	20%	18%	−2
Somewhat Convenient	25%	18%	−7
Very Convenient	19%	19%	0
Don't Know	4%	7%	+3

REFRESHMENT PLACE SALES DOUBLE IN FOUR REGIONS

Information presented in last month's Foodservice Trends highlighted eating and drinking place sales and establishment count for all 50 states plus the District of Columbia. We are now able to present more detailed information on eating place sales by restaurant type. Readers will find in the accompanying tables, sales and establishment count data for restaurants and lunchrooms (establishments which offer table service), cafeterias, refreshment places (limited menu—fast food restaurants which do not offer table service) and other eating places (includes contract feeders as well as ice cream and frozen yogurt stands).

Sales for refreshment places, encompassing limited menu (fast food) restaurants without table service are increasing at a considerably faster pace than sales for restaurants which offer table service according to available data from the *1977 Census of Retail Trade*. The Bureau of the Census has now released detailed sales and establishment count information for eating places in twenty-seven states and five regions which is summarized in the accompanying tables. Readers are reminded that the data are for establishments with payroll only and do not include "mom and pop" operations having no paid employees. When information is available for all states we will be able to provide you with an analysis of these eating place sales in relationship to population and income growth during the 1972-77 period.

Sales at limited menu refreshment places have doubled in four of the five regions shown between 1972 and 1977, with the 146.6 percent gain for the Mountain Region being the largest. On the other hand, sales at restaurants have increased at a much slower pace in each of the five regions.

Cafeteria sales declined in three regions (New England, Middle Atlantic and East North Central), while increasing marginally in the Pacific Region and rising nearly 50 percent in the Mountain states.

The following summarizes sales and establishment count information for each of the five regions available thus far.

Eating Place Sales, 1977
Regional Summary

EATING PLACES[1]	NEW ENGLAND SALES (000) 1977	NEW ENGLAND % CHG. 1972-77	MIDDLE ATLANTIC SALES (000) 1977	MIDDLE ATLANTIC % CHG. 1972-77	EAST NORTH CENTRAL SALES (000) 1977	EAST NORTH CENTRAL % CHG. 1972-77	MOUNTAIN SALES (000) 1977	MOUNTAIN % CHG. 1972-77	PACIFIC SALES (000) 1977	PACIFIC % CHG. 1972-77
Total	3,171,755	69.2%	8,277,766	55.1%	10,327,683	81.2%	2,857,097	113.5%	9,652,806	94.7%
Restaurants & Lunchrooms	1,771,571	59.2%	4,565,296	40.8%	5,383,374	73.4%	1,613,518	99.1%	5,787,792	84.2%
Cafeterias	44,703	(5.3%)	157,609	(19.0%)	264,800	(17.0%)	97,304	47.7%	227,857	1.5%
Refreshment Places	912,084	83.1%	2,476,706	100.2%	3,826,544	117.9%	957,995	146.6%	3,095,935	132.0%
Other*	443,397	104.2%	1,078,155	62.9%	852,965	63.9%	188,280	156.2%	541,222	110.6%

*Other eating places include contract feeders and ice cream and frozen yogurt stands.
[1]Includes information for establishments with payroll only.

SOURCE: *1977 Census of Retail Trade*, U.S. Department of Commerce, Bureau of the Census.

NEW ENGLAND. Sales for eating places with payroll in the New England Region increased from $1.9 billion in 1972 to $3.2 billion in 1977 for a gain of 69.2 percent. At the same time, the number of establishments increased by 12.5 percent. On a percentage basis, sales for other eating places (includes ice cream and frozen yogurt stands as well as contract feeders) advanced the fastest with an increase in sales of 104.2 percent, followed by the 83.1 percent gain for refreshment places. On the other hand, cafeteria sales were down 5.3 percent between 1972 and 1977, and the number of cafeterias decreased by 4.4 percent.

Maine and New Hampshire both more than doubled their refreshment place sales during the five year period, with gains of 149.4 percent and 115.2 percent respectively. Although cafeteria sales rose in 5 of 6 New England states, they declined by 26.4 percent in Massachusetts resulting in an overall decline in cafeteria sales for the New England Region.

MIDDLE ATLANTIC. Eating place sales were up 55.1 percent in the Middle Atlantic Region between 1972 and 1977. Restaurant sales equaled $4.6 billion in 1977 and were up 40.8 percent over 1972. Limited menu refresh-

ment place sales doubled during the five year period, while cafteria sales were down nearly 20 percent.

In two of the three Middle Atlantic states refreshment place sales more than doubled—up 124.0 percent in Pennsylvania and 117.2 percent in New Jersey. Cafeteria sales, however, declined by 38.1 percent in New York and remained relatively unchanged in New Jersey but gained 21.2 percent in Pennsylvania during the five year period.

EAST NORTH CENTRAL. Eating place sales in 1977 for the five states comprising this region equaled $10.3 billion, up 81.2 percent from 1972. Sales growth for limited menu refreshment places far outpaced that for restaurants, 117.9 percent versus 73.4 percent. Cafeteria sales declined from $319 million in 1972 to $265 million in 1977 and the number of these establishments decreased by 500.

Refreshment place sales more than doubled in all five states except Wisconsin, with the 143.6 percent gain in Indiana being the largest. In Wisconsin, contrary to the situation in most states, restaurant sales growth was slightly ahead of that for refreshment places, 93.2 percent versus 90.7 percent. Both cafeteria sales and numbers of establishments declined in all five East North Central states from 1972 to 1977.

MOUNTAIN. Eating place sales were up 113.5 percent between 1972 and 1977, from $1.3 billion to $2.9 billion in the Mountain states. Limited menu refreshment place sales were up 146.6 percent and sales for other eating places rose 156.2 percent during this five year period.

All eight states which comprise the Mountain Region have more than doubled their refreshment place sales between 1972 and 1977, with the largest gain occurring in Wyoming. In addition, restaurant sales were up more than 100 percent in Idaho and Nevada. On the other hand, cafeteria sales were down in Idaho, Utah and Nevada, but were up substantially in New Mexico, Arizona, Wyoming and Colorado.

PACIFIC. Eating place sales for the Pacific Region in 1977 totaled $9.7 billion, an increase of 94.7 percent from 1972. Sales for refreshment places increased 132 percent during the five year period, while restaurant sales rose 84.2 percent. Cafeteria sales remained relatively unchanged from 1972 to 1977.

California, with eating place sales of $7.1 billion, continues to account for most of the sales in the Pacific Region. Alaska more than doubled its sales in all categories, and Oregon and more than doubled sales for all categories except cafeterias.

Eating Place Sales by State and Restaurant Type, 1977

State	# of Establish. 1977	% Change '72-'77	Sales 000 1977	% Change '72-'77	Avg. Annual Percent Increase in Sales
NEW ENGLAND					
Maine					
Rest. & Lunch	759	10.2	131,618	71.3	11.4
Cafeterias	34	12.5	2,513	4.5	0.9
Refresh. Places	507	30.3	84,964	149.4	20.0
Other	133	18.9	16,957	43.5	7.5
New Hampshire					
Rest. & Lunch	702	25.7	142,519	113.8	16.4
Cafeterias	39	62.5	3,012	11.2	2.2
Refresh. Places	402	25.6	73,790	115.2	16.6
Other	95	67.	17,638	94.1	14.2
Vermont					
Rest. & Lunch	441	18.9	70,699	82.4	12.8
Cafeterias	20	25.0	3,895	95.5	14.4
Refresh. Places	181	19.1	27,653	87.2	13.4
Other	52	18.2	12,650	70.0	11.2
Massachusetts					
Rest. & Lunch	3,142	1.7	887,018	51.3	8.6
Cafeterias	167	(24.4)	20,149	(26.4)	(4.8)
Refresh. Places	2,436	12.1	431,203	68.1	11.0
Other	932	38.5	247,341	99.0	14.8
Rhode Island					
Rest. & Lunch	618	3.0	128,709	61.6	10.1
Cafeterias	14	(33.3)	2,407	13.1	2.5
Refresh. Places	373	12.1	60,131	52.7	8.8
Other	103	10.8	23,999	61.2	10.0
Connecticut					
Rest. & Lunch	1,747	2.9	405,008	55.2	9.2
Cafeterias	95	8.0	12,727	20.2	3.8
Refresh. Places	1,218	19.8	234,343	97.0	14.5
Other	516	53.1	124,812	152.2	20.0
MIDDLE ATLANTIC					
New York					
Rest. & Lunch	10,977	(3.0)	2,387,174	28.2	5.1
Cafeterias	456	(31.4)	76,339	(38.1)	6.7
Refresh. Places	6,345	14.4	1,149,426	79.2	12.4
Other	2,261	18.6	616,764	57.6	9.5
New Jersey					
Rest. & Lunch	3,533	10.0	932,562	47.4	8.1
Cafeterias	152	(8.4)	25,205	0.5	0.1

(cont'd on next page)

Eating Place Sales by State and Restaurant Type, 1977

	# of Establish. 1977	% Change '72-'77	Sales 000 1977	% Change '72-'77	Avg. Annual Percent Increase in Sales
Refresh. Places	2,655	35.7	505,583	117.2	16.8
Other	937	30.3	197,716	59.7	9.8
Pennsylvania					
Rest. & Lunch	5,625	4.2	1,245,560	66.0	10.7
Cafeterias	287	2.5	56,065	21.2	3.9
Refresh. Places	4,060	28.2	812,697	124.0	17.6
Other	1,297	30.6	263,675	79.6	12.4
EAST NORTH CENTRAL					
Ohio					
Rest. & Lunch	5,129	2.7	1,311,007	74.5	11.8
Cafeterias	237	(43.2)	70,157	(25.7)	(4.7)
Refresh. Places	4,541	19.6	1,049,249	111.5	16.2
Other	1,284	33.9	212,696	59.3	9.8
Indiana					
Rest. & Lunch	2,666	3.9	587,166	70.2	11.2
Cafeterias	260	(24.2)	64,708	(13.5)	(2.6)
Refresh. Places	2,474	27.7	567,526	143.6	19.5
Other	473	26.1	83,655	58.6	9.7
Illinois					
Rest. & Lunch	6,038	(1.1)	1,608,809	59.9	9.8
Cafeterias	265	(30.8)	61,304	(19.0)	(3.6)
Refresh. Places	4,621	21.7	1,101,622	127.1	17.8
Other	1,217	22.7	298,794	76.0	12.0
Michigan					
Rest. & Lunch	4,438	7.3	1,197,242	83.8	12.9
Cafeterias	198	(30.3)	58,880	(2.5)	(0.5)
Refresh. Places	3,315	14.6	774,674	110.8	16.1
Other	898	25.9	189,464	59.5	9.8
Wisconsin					
Rest. & Lunch	3,191	12.8	679,150	93.2	14.1
Cafeterias	60	(37.5)	9,751	(30.1)	(5.4)
Refresh. Places	1,685	11.2	333,473	90.7	13.8
Other	370	17.1	68,356	50.5	8.5
MOUNTAIN					
Montana					
Rest. & Lunch	634	—	120,494	91.2	13.9
Cafeterias	19	(9.5)	3,115	12.1	2.3
Refresh. Places	408	39.7	61,085	158.1	21.0
Other	46	12.2	5,818	79.1	12.4
Idaho					
Rest. & Lunch	577	1.4	121,066	114.7	16.2
Cafeterias	21	(8.7)	4,088	(18.5)	(3.5)
Refresh. Places	434	28.8	77,234	164.9	21.0
Other	47	34.2	9,683	134.1	18.6
Wyoming					
Rest. & Lunch	322	4.9	69,220	95.1	14.3
Cafeterias	16	45.4	2,063	94.2	14.2
Refresh. Places	221	43.5	38,965	180.5	22.8
Other	12	2.0	1,973	37.7	6.6
Colorado					
Rest. & Lunch	2,057	19.7	489,246	99.4	14.8
Cafeterias	131	44.0	35,816	61.4	10.1
Refresh. Places	1,240	48.3	254,735	146.3	19.8
Other	205	28.9	66,412	143.0	19.5
New Mexico					
Rest. & Lunch	753	6.7	148,222	95.9	14.4
Cafeterias	40	(13.0)	18,268	89.5	13.6
Refresh. Places	600	31.3	113,806	172.0	22.0
Other	68	38.8	14,906	132.1	18.4
Arizona					
Rest. & Lunch	1,437	22.5	364,064	86.8	13.3
Cafeterias	82	(1.0)	28,352	67.1	10.9
Refresh. Places	1,063	43.6	216,377	153.0	20.0
Other	182	41.1	65,868	222.8	26.4
Utah					
Rest. & Lunch	795	25.2	156,233	99.0	14.8
Cafeterias	30	(14.3)	3,111	(43.8)	(7.5)
Refresh. Places	638	34.9	117,855	107.0	15.7
Other	70	37.3	11,592	142.0	19.3
Nevada					
Rest. & Lunch	439	16.4	144,973	137.2	18.9
Cafeterias	18	(14.3)	2,491	(7.2)	(1.4)
Refresh. Places	325	30.5	77,935	128.7	18.0
Other	41	51.9	12,028	111.8	16.2
PACIFIC					
Washington					
Rest. & Lunch	2,413	12.6	737,384	116.4	16.7
Cafeterias	126	(28.4)	30,449	15.7	3.0
Refresh. Places	1,535	23.8	347,516	151.5	20.0
Other	204	55.7	56,132	97.9	14.6
Oregon					
Rest. & Lunch	1,750	13.0	447,978	116.6	16.7
Cafeterias	88	(44.3)	18,501	(7.5)	(1.5)
Refresh. Places	1,148	36.3	243,930	150.5	20.2
Other	170	53.2	32,085	107.1	15.7
California					
Rest. & Lunch	13,926	13.3	4,277,705	76.5	12.0
Cafeterias	757	(21.1)	169,967	(0.5)	(0.1)
Refresh. Places	10,700	23.1	2,318,985	125.0	17.6
Other	1,575	39.5	353,716	23.4	4.3
Alaska					
Rest. & Lunch	244	20.2	74,779	141.1	19.2
Cafeterias	19	137.5	3,294	261.0	29.3
Refresh. Places	153	61.0	47,456	259.5	29.2
Other	66	266.6	65,082	716.7	55.7
Hawaii					
Rest. & Lunch	633	8.4	249,946	77.9	12.2
Cafeterias	28	(36.4)	5,646	85.8	13.2
Refresh. Places	448	49.3	138,075	159.7	21.1
Other	83	20.3	34,207	37.3	6.5

NOTE: Sales and establishment data are for eating places with payroll.

SOURCE: *1977 Census of Retail Trade*, U.S. Department of Commerce, Bureau of the Census

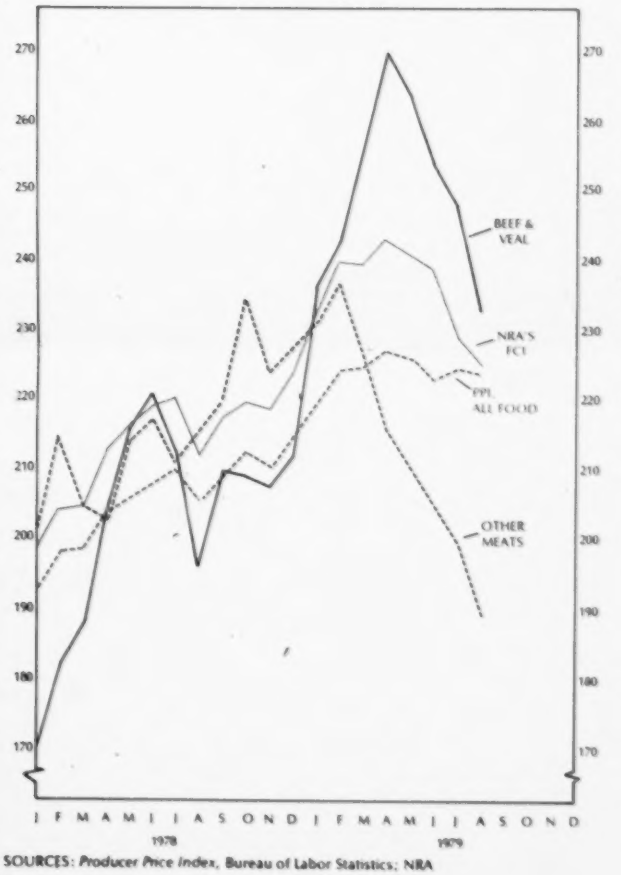
NRA'S FOOD COST INDEX DOWN 1.5%

NRA's Food Cost Index (FCI), which measures wholesale food costs for eating places, continued to decline for the fourth straight month in August. From July to August the FCI declined by 1.5 percent compared to a smaller decline of 0.2 percent for all food, according to the Producer Price Index. Prices for beef and veal, pork, poultry, eggs and fish were all down in August from their July levels. On the other hand, fresh fruits and vegetables, bakery products, coffee and dairy products were all higher in August than they were in July.

During the first eight months of this year, NRA's Food Cost Index has averaged 11.9 percent above the same period in 1978, while all food according to the Producer Price Index has posted a slightly lower 10.4 percent rise. However, during the past four months NRA's Food Cost Index has been declining faster than the PPI All Food. As a result the gap between the FCI and the PPI's All Food has narrowed substantially in recent months as shown in the accompanying chart. Adequate feed grain supplies as well as lower demand for some food products because of the recession will exert some downward pressure on wholesale food prices for the remainder of this year. Increased transportation and processing costs, however, will cause some wholesale food prices, particularly for processed fruits and vegetables, to rise during the latter part of this year.

The following portion of this report reviews the short term outlook for wholesale prices and supplies highlighting several food commodities which might be of special interest to foodservice operators.

NRA Food Cost Index (FCI)
Versus
Producer Price Index (PPI), All Food
(1967 = 100)



SOURCES: *Producer Price Index*, Bureau of Labor Statistics; NRA

BEEF AND VEAL. Wholesale prices for beef and veal have averaged 25.6 percent higher during the first eight months of this year compared to the same period last year. Since April, however, beef prices at the wholesale level have been declining. U.S.D.A. economists attribute this decline to the weakening economy which has lowered demand as well as to lower prices for competing meats such as pork and chicken.

The recent increase in heifer retentions (cattle kept back for breeding) and reduction in cow slaughter suggest that cattlemen are in the process of rebuilding their herds. Agriculture Department economists expect a small increase in the January 1980 cattle inventory for the first time since 1975. While this does not mean that next year's beef supplies will be up considerably over this year, prospects for larger beef supplies in 1981 are very good.

PORK. Wholesale prices for pork have been declining since February. During the first eight months of this year pork prices averaged about one percent lower than last year. Considerably larger pork supplies are the primary reason for the decline in pork prices in 1979.

U.S.D.A. economists predict pork prices will fall during the remainder of this year. Hog slaughter in the third quarter is expected to be up 20 percent over last year and fourth quarter slaughter should be 20 to 22 percent higher than the same period in 1978. Wholesale hog prices in the third quarter are predicted to range from $36 to $38 per hundredweight, down 24 percent from a year ago, and will most likely decline by a further 8 percent by the end of the year.

POULTRY. Chicken and turkey production will continue to expand during the remainder of this year. Sec-

ond half output should be 14 percent above the first half and 10 percent above a year earlier. This increase in supplies together with lower pork prices has caused poultry prices to decline. U.S.D.A. economists expect chicken prices to drop to the mid- to upper 30's this fall from the July level of 43 cents per pound, a decline of 14 percent. Turkey prices have also declined as the supplies have risen.

Feed grain prices have risen recently and are expected to rise next year in spite of record crops because of foreign and domestic demand. This together with the lower prices poultry producers are receiving could cause a decline in poultry meat production in 1980 and higher broiler prices.

FRUIT. Fresh fruit prices at the wholesale level rose 10 percent between July and August because of seasonal declines in supplies. In addition, canned fruit and frozen fruit prices have risen and are expected to continue to rise because of higher processing costs.

Supplies of fresh noncitrus fruits, especially grapes, peaches and pears should be above year earlier levels. Total fresh noncitrus fruit production is predicted to be 5 percent higher than last year according to Agriculture Department statistics.

Current supplies of citrus fruits continue to decline during late summer and early fall. The Florida citrus crop is in good to excellent condition, however, which should mean increasing citrus fruit supplies in late 1979 and early 1980.

VEGETABLES. Wholesale prices for fresh vegetables rose 3.7 percent from July to August, the first such increase since early this year when cold weather and strikes adversely affected supplies. A seasonal decline in supplies of many fresh vegetables has caused this recent upward movement in wholesale prices. U.S.D.A. economists expect supplies to increase through early fall and winter for many vegetables resulting in declining prices.

Prices for both processed and frozen vegetables have been experiencing some upward movement because of the higher processing, marketing and distribution costs.

EGGS. Consumption of eggs has risen in both 1978 and 1979, and as a result egg output this year should be 3 percent above last year. Egg supplies are expected to keep pace with demand according to U.S.D.A. economists. Prices for eggs, based on the New York wholesale market, should rise about two cents a dozen in the fourth quarter to 69 cents but will still be below the 72 cents a dozen average for this year's first quarter. Overall, 1979 egg prices should be about 10 percent higher than last year, compared to a 3 percent decline in 1978. Rising demand as well as higher packaging and transportation costs are the primary reasons for the upward movement in wholesale egg prices.

NRA FOODSERVICE TRENDS

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Bette B. Hoyt	Research Associate and Editor

Wholesale Food Price Index

	PERCENT CHANGE			
	1977-1978	Aug. 1978-Aug. 1979	8 Mos. 1978-8 Mos. 1979	July 1979-Aug. 1979
FARM PRODUCTS	7.8%	13.4%	15.6%	(3.4%)
Fresh and Dried Fruits and Vegetables	11.6%	12.2%	7.6%	6.6%
Eggs	(7.4%)	5.5%	16.3%	(0.5%)
PROCESSED FOODS AND FEEDS	7.7%	9.2%	10.4%	(1.2%)
Cereal and Bakery Products	9.9%	11.7%	8.9%	2.2%
Meat, Poultry and Fish	18.5%	4.4%	14.4%	(5.1%)
Dairy Products	6.5%	12.8%	13.0%	3.0%
Processed Fruits and Vegetables	6.8%	10.4	11.8%	0.6%
Sugar and Confectionery	10.0%	9.0%	8.2%	1.2%
ALL FOOD[1]	10.6%	8.9%	10.4%	(0.2%)
NRA FOOD COST INDEX (FCI)	11.2%	6.5%	11.9%	(1.5%)

[1]Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCE: Producer Price Index, Bureau of Labor Statistics.

ROPER REPORTS: SERVICE, SOURCE OF RESTAURANT COMPLIMENTS AND COMPLAINTS

A recent Roper public opinion survey asked respondents to identify which of 14 things they had ever done. A list of these 14 items along with response rates for each is shown in the accompanying table. Restaurateurs will be particularly interested in one of these activities—"Have you ever walked out of a restaurant because of poor service?" Thirty-seven percent of those surveyed said they had walked out of a restaurant because they received poor service. On the other hand, six out of ten indicated they had never left a restaurant because of poor service.

An analysis of the demographic characteristics of these respondents indicates that over half of the Westerners and executive/professionals and slightly less than half of the 18 to 29 age group, those with incomes over $25,000 and the college educated have left a restaurant because of inadequate service. CREST data, based on a diary panel of 10,000 families, indicate that a substantially larger proportion of sales dollars come from customers with many of the previously described characteristics. For example, 21.2 percent of the CREST families have incomes above $25,000, but these families account for 34.6 percent of the sales dollars. In addition, since CREST data indicate that customers with these characteristics frequent restaurants more often, they would be more likely to have had an opportunity to "walk out."

Restaurateurs will want to continue to place emphasis on good service since satisfied customers help to insure sales gains and increase customer counts. Good service is high on the patron's list of restaurant attributes. An NRA survey, "Measurement of Guest Satisfaction in the Foodservice Industry," shows, however, that it is the second most annoying factor about eating out, following poor food quality. While 51 percent of the respondents gave poor food quality as a most annoying factor in restaurants, 41 percent mentioned poor service.

Although NRA's survey points out that poor service is the most frequent source of complaints, good service is the most frequent source of customer compliments. In spite of the fact that the study showed customer compliments outnumber complaints by a ratio of two to one, restaurant operators will want to learn what they can from complaints. This is especially true in the area of quality of service where restaurant operators can exercise control and institute training programs to eliminate poor service. The same would not necessarily be true if the source of most complaints was rising menu prices, which are dictated by increasing costs, especially for food and labor, over which the operator has little control.

Which of the Following Have You Ever Done?

	Yes	No	Don't Know
Flown on an airplane	70%	29%	—
Been in a country other than the U.S.	52%	47%	1%
Made a speech before an audience	43%	56%	1%
Had major surgery	37%	62%	1%
WALKED OUT OF A RESTAURANT BECAUSE OF POOR SERVICE	37%	62%	1%
Received a speeding ticket	36%	63%	1%
Been a Boy Scout or a Girl Scout	35%	64%	1%
Tried marijuana	22%	77%	2%
Been in an automobile accident where someone was injured enough to be taken to a hospital	20%	79%	1%
Had your house robbed	18%	81%	1%
Been on television	17%	82%	1%
Worn contact lenses	10%	89%	1%
Had a major fire in your home	6%	93%	1%
Witnessed a crime in which one or more shots were fired	5%	93%	2%

NOTICE OF CORRECTION

Several of the figures in the chart entitled "States Which Doubled Their Eating Place Sales, 1972-1977" appearing on page 2 of the September issues of *Foodservice Trends* were incorrect. Below readers will find the correct table.

States Which Have Doubled Their Eating Place Sales, 1972-1977

1. Alaska (255.2%)
2. Nevada (125.2%)
3. Idaho (119.2%)
4. Washington (117.1%)
5. Oregon (115.5%)
6. New Mexico (115.4%)
7. North Dakota (113.6%)
8. Wyoming (112.6%)
9. Texas (111.1%)
10. Colorado (109.8%)
11. Arizona (109.6%)
12. Louisiana (106.7%)
13. Kentucky (104.3%)
14. Alabama (104.1%)
15. New Hampshire (103.9%)
16. Mississippi (102.3%)
17. South Carolina (101.9%)
18. Montana (101.9%)

Industry Index

RETAIL SALES (000,000)	Aug. 1979	Percent Change vs. Year Ago	Year to Date Aug. 1979	Percent Change vs. Year Ago
All Retailers	$75,703	**+9.6%**	$562,541	**+10.7%**
Eating & Drinking Places	$ 6,984	**+7.0%**	$ 50,134	**+ 8.9%**
Food Stores	$16,998	**+14.4%**	$127,142	**+11.9%**

(Source: Bureau of Census unadjusted data. Subject to revision.)

EATING PLACE INDICATORS (000,000)	July 1979	Percent Change vs. Year Ago	Year to Date	Percent Change vs. Year Ago
Eating Place Sales	$5,870	**+ 4.5%**	$37,688	**+9.7%**

	Percent Change vs. Year Ago	Percent Change Year to Date vs. Year Ago
Real Eating Place Sales (July)	**– 6.9%**	**– 1.5%**

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

CONSUMER PRICES (August)	Percent Change vs. Year Ago	Percent Change 1979 to Date vs. Year Ago
Food at Home	+ 9.0%	+11.5%
Food Away From Home	+11.2%	+11.2%
All Items Less Food	+12.2%	+10.4%

(Source: Bureau of Labor Statistics.)

EMPLOYMENT AND EARNINGS	June 1979	Percent Change vs. Year Ago
Total Employment	4,696,700	+6.8%
Nonsupervisory Employment	4,323,000	+6.5%
Nonsupervisory Average Hourly Earnings	$3.43	+7.9%
Average Weekly Hours	26.8	–2.5%

(Source: Bureau of Labor Statistics.)

FOODSERVICE TRENDS

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